Savings Program for Employees of Certain Employers at the U.S. Department of Energy Facilities at Oak Ridge, Tennessee

Financial Statements and Supplemental Schedule
with Report of Independent Auditors

December 31, 2007 and 2006

Savings Program for Employees of Certain Employers at the U.S. Department of Energy Facilities at Oak Ridge, Tennessee

December 31, 2007 and 2006

TABLE OF CONTENTS

Page No.

Independent Auditors' Report...1

Financial Statements

Statements of Net Assets Available for Benefits..2

Statements of Changes in Net Assets Available for Benefits............................3

Notes to Financial Statements...4

Supplemental Schedule[*]

Schedule H, line 4i – Schedule of Assets (Held at End of Year)....................10

[*] All other schedules required by Section 2520.103-10 of the Department of Labor's Rules and Regulations for Reporting under ERISA have been omitted because they are not applicable.

McCONNELL & JONES LLP
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

To the Participants and Administrator of the
Savings Program for Employees of Certain Employers
at the U.S. Department of Energy Facilities at Oak Ridge, Tennessee

We have audited the accompanying statements of net assets available for benefits of the Savings Program for Employees of Certain Employers at the U.S. Department of Energy Facilities at Oak Ridge, Tennessee as of December 31, 2007 and 2006, and the related statement of changes in net assets available for benefits for the years then ended. These financial statements are the responsibility of the Plan's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the net assets available for benefits of the Savings Program for Employees of Certain Employers at the U.S. Department of Energy Facilities at Oak Ridge, Tennessee as of December 31, 2007 and 2006, and the changes in its net assets available for benefits for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplemental Schedule of Assets (Held at End of Year) is presented for purposes of additional analysis and is not a required part of the basic financial statements but is supplementary information required by the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974. This supplementary information is the responsibility of the Plan's management. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

McConnell & Jones LLP

Houston, Texas
October 14, 2008

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Savings Program for Employees of Certain Employers at the U.S. Department of Energy Facilities at Oak Ridge, Tennessee

Statements of Net Assets Available for Benefits

December 31, 2007 and 2006

(in thousands of dollars)

	2007	2006
Assets		
Investments, at fair value		
Short term investment fund	$ 50,734	$ 15,103
Participant loans	14,084	14,263
Common/collective trusts	617,279	670,308
Registered investment companies	844,046	756,601
	1,526,143	1,456,275
Other assets		
Pending trades	906	
Cash	1,344	
Investment income receivable	-	2,327
Total assets	1,528,393	1,458,602
Liabilities	1,814	771
Net assets available for benefits at fair value	1,526,579	1,457,831
Adjustment from fair value to contract value for investments in fully benefit-responsive contracts	(1,472)	3,970
Net assets available for benefits	$ 1,525,107	$ 1,461,801

The accompanying notes are an integral part of these financial statements.

Savings Program for Employees of Certain Employers at the U.S. Department of Energy Facilities at Oak Ridge, Tennessee

Statements of Changes in Net Assets Available for Benefits

Years Ended December 31, 2007 and 2006
(in thousands of dollars)

	2007	2006
Net assets available for benefits at beginning of year	$ 1,461,801	$ 1,339,786
Additions to net assets		
Contributions		
Rollover	4,484	2,707
Employee	61,122	57,685
Employer	22,107	20,804
Total contributions	87,713	81,196
Investment income		
Dividends and interest	100,650	80,695
Net appreciation (depreciation) in fair value of investments	(16,065)	59,439
Total investment income	84,585	140,134
Total additions	172,298	221,330
Deductions from net assets		
Distributions and withdrawals	108,375	98,600
Administrative expenses	617	715
Total deductions	108,992	99,315
Net assets available for benefits at end of year	$ 1,525,107	$ 1,461,801

The accompanying notes are an integral part of these financial statements.

Savings Program for Employees of Certain Employers at the U.S. Department of Energy Facilities at Oak Ridge, Tennessee

Notes to Financial Statements

December 31, 2007 and 2006

1. Description of the Plan

General

The following description of the Savings Program for Employees of Certain Employers at the U.S. Department of Energy Facilities at Oak Ridge, Tennessee (the "Plan") provides only general information. A more complete description of the Plan is contained in the Plan document.

The Plan is a defined contribution plan which covers all eligible employees of the adopting employers with contracts with the U.S. Department of Energy ("DOE") at the Oak Ridge, Tennessee facilities. The Plan was originally established on July 1, 1996 for salaried and hourly employees of Lockheed Martin Energy Systems, Inc., Lockheed Martin Utility Services, Inc., and Lockheed Martin Energy Research, Inc., who provided contract management services for the DOE.

Effective April 1, 2000, the Plan became a multiple employer pension plan with the participating employers being Lockheed Martin Energy System, Inc. and UT-Battelle, LLC ("UTB"). The Plan name was changed to the Savings Program for Employees of Certain Employers at the U.S. Department of Energy Facilities at Oak Ridge, Tennessee. Effective November 1, 2000, the contract between the Department of Energy and the Lockheed Martin Energy Systems, Inc., was terminated and Babcock & Wilcox Technical Services Y-12, L.L.C. ("B&W Y-12") became the successor employer and Plan sponsor. The Plan was amended to name the new participating employers, UTB and B&W Y-12 ("the Company"), at that time.

Contributions

Participants may contribute 2-1/2 percent to 6 percent of eligible earnings (as defined by the Plan). Participants' contributions will be matched at a rate of 100 percent of the first 2 percent of eligible earnings and 50 percent of the next 4 percent of eligible earnings, regardless of credited service. Effective July 1, 2007, if a participant is contributing the maximum of 6 percent, the participant may make supplemental contributions ranging from 6-1/2 percent up to 69 percent (or 16 percent for highly compensated employees) of eligible earnings. Contributions above 6% are not eligible for Company matching contributions. All employee contributions to the Plan may be made on a before-tax or Roth basis up to the annual before-tax/Roth limit or on an after-tax basis.

Investment Options

Participants may direct contributions in increments of 1 percent to one or more of the following available investment options: Vanguard Windsor Fund, Stable Value Fund, Indexed Equity Fund, American Balanced Fund, Investment Company of America Fund, Growth Fund of America Fund, New Perspectives Fund, Small Cap Value Fund, Small Cap Growth Fund, Wells Fargo Advantage Total Return Bond Fund, and International Growth Fund. The assets of the Plan are held in trust under an agreement between the Company and the Charles Schwab Trust Company (the "Trustee").

Participant Accounts

Each participant's account is credited with the participant's contribution and allocations of (a) the Company's contribution and (b) Plan earnings, and charged with an allocation of administrative expenses. Earnings and revenue sharing allocations are based on participant account balances, as defined. The benefit to which a participant is entitled is the benefit that can be provided from the participant's vested account.

Vesting

Participants are 100 percent immediately vested in their contributions, as adjusted for investment earnings and losses on their contributions. Company matching contributions become 100 percent vested after three years of service; at age 65 while a Company employee; upon retirement and eligibility to receive an immediate pension; or upon departure from the Company because of permanent disability, death, or involuntary termination for reasons other than cause.

Participant Loans

Participants may borrow from their fund accounts a minimum of $1,000 up to a maximum equal to the lesser of $50,000 minus their highest outstanding loan balance during the previous twelve months or 50 percent of their vested account balance at the time of the loan. The loans are collateralized by the balance in the participant's account and bear interest at the treasury rate plus 4 percent. Interest rates range from approximately 6 percent to 10.5 percent during 2007 and 2006. The minimum loan term is 6 months and the maximum loan term is 4-1/2 years for general loans and 15 years for residential loans. Principal and interest are paid ratably through payroll deductions.

Forfeited Accounts

Forfeited non-vested accounts are used to reduce the matching contributions due from the participating employers and to reduce any corrective allocations or contributions and restorations due from the employers.

2. Summary of Significant Accounting Policies

Use of Estimates and Basis of Accounting

The Plan's financial statements have been prepared using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates that affect the financial statements and accompanying notes. Actual results could differ from those estimates.

As described in Financial Accounting Standards Board Staff Position, FSP AAG INV-1 and SOP 94-4-1, *Reporting of Fully Benefit-Responsive Investment Contracts Held by Certain Investment Companies Subject to the AICPA Investment Company Guide and Defined-Contribution Health and Welfare and Pension Plans* (the FSP), investment contracts held by a defined-contribution plan are required to be reported at fair value. However, contract value is the relevant measurement attribute for that portion of the net assets available for benefits of a defined-contribution plan attributable to fully benefit-responsive investment contracts because contract value is the amount participants would receive if they were to initiate permitted transactions under the terms of the plan. As required by the FSP, the Statement of Net Assets Available for Benefits presents the fair value of the investment contracts as well as the adjustment of the fully benefit-responsive investment contracts from fair value to contract value. The Statement of Changes in Net Assets Available for Benefits is prepared on a contract value basis.

Valuation of Investments and Income Recognition

The investments of the Plan are carried at fair value. Investments in shares of registered investment companies (mutual funds) are stated at fair market value as determined by quoted market prices. The Plan's interest in common/collective trust funds are valued based on information reported by the investment trustee/advisor using the audited financial statements of the common/collective trust at year-end. Participant loans are valued at outstanding balances, which approximate fair value. Purchases and sales of securities are recorded on a trade date basis. Dividends are recorded on the ex-dividend date.

Payment of Benefits

Benefits are recorded when paid.

Recent Accounting Pronouncements

In September 2006, the FASB issued Statement of Financial Accounting Standards No. 157, *Fair Value Measurements* (SFAS 157). SFAS 157 defines fair value, establishes a framework for measuring fair value, and expands disclosures about fair value measurements and applies to reporting periods beginning after November 15, 2007. Based on current assets held by the Plan, the Plan's management does not expect the adoption of SFAS 157 to have a material impact on the Plan's financial statements.

3. Investments

The following presents investments that represent 5 percent or more of the Plan's net assets.

(in thousands of dollars)	**2007**	**2006**
State Street Stable Fixed Income Fund *	$ 536,642	$ 581,122
State Street Global Advisors Indexed Equity Fund	80,636	89,186
Vanguard Windsor Fund Admiral Shares	224,619	249,846
American Funds Growth Fund of America Fund	167,366	147,979
American Funds New Perspective Fund	98,681	91,712
American Funds EuroPacific Growth Fund	118,216	74,769

* Included in the Stable Value Fund investment option.

During 2007 and 2006, the Plan's investments (including gains and losses on investments bought and sold, as well as held during the year) appreciated in value as follows:

(in thousands of dollars)	**2007**	**2006**
Common/collective trusts	$ 27,069	$ 12,239
Registered investment companies	(43,134)	47,200
Net appreciation in fair value of investments	$ (16,065)	$ 59,439

4. Plan Termination

Although it has not expressed any intent to do so, the Company has the right to amend, suspend, or terminate the Plan at any time except as provided in any agreement with a collective bargaining unit and subject to the provisions of ERISA. In the event of Plan termination, participants will become 100 percent vested in their accounts.

5. Income Tax Status

The Plan obtained its latest determination letter on July 12, 2002, in which the Internal Revenue Service ("IRS") stated that the Plan, as then designed, was in compliance with the applicable requirements of the Internal Revenue Code (the "IRC"). The Plan has been amended since receiving the determination letter. The Plan Administrator and the Plan's tax counsel believe the Plan is being operated in compliance with the applicable provisions of the IRC.

6. Related Party Transactions

The Plan invests in shares of common and collective trust funds managed by State Street Global Advisors, which was a related party to the Trustee through September 2007. Any purchases and sales of these funds are performed in the open market at fair value. Such transactions, while considered party-in-interest transactions under ERISA regulations, are permitted under the provisions of the Plan and are specifically exempt from the prohibition of party-in-interest transactions under ERISA.

The Plan incurs expenses related to general administration and record keeping. The cost of collecting and distributing amounts to and from participants, and of keeping the individual records for all investment fund options, are paid by the Plan. The Plan sponsor incurred certain accounting and auditing fees relating to the Plan.

7. Risks and Uncertainties

The Plan invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect participants' account balances and the amounts reported in the statement of net assets available for benefits.

8. Reconciliation of Financial Statements to Form 5500

The following is a reconciliation of net assets available for benefits per the financial statements at December 31, 2007 and 2006, to Form 5500:

(in thousands of dollars)	2007	2006
Net assets available for benefits per the financial statements	$ 1,525,107	$ 1,461,801
Adjustment from contract value to fair value for fully benefit-responsive investment contracts	1,472	(3,970)
Net assets available for benefits per Form 5500	$ 1,526,579	$ 1,457,831
Net appreciation in fair value of investments per the financial statements	$ (16,065)	$ 59,439
Net appreciation in fair value of investments per the Form 5500	(10,623)	55,469
Adjustment from contract value to fair value for fully benefit-responsive investment contracts	$ (5,442)	$ 3,970

Savings Program for Employees of Certain Employers at the U.S. Department of Energy Facilities at Oak Ridge, Tennessee
EIN – 54-1987297 PN – 009
Schedule H: Line 4i – Schedule of Assets (Held at End of Year)

December 31, 2007
(in thousands of dollars)

a. Party in Interest	b. Identity of issue, borrower, lessor, or similar party	c. Description of investment including maturity date, rate of interest, collateral, par, or maturity value	e. Current Value 2007
*	State Street Stable Fixed Income Fund (**)	Common/collective trust	$ 536,642
*	State Street Yield Enhanced Short Term Investment Fund (**)	Short Term Investment	50,734
	Pimco Long-Term U.S. Governmental Institutional Bond Fund	Mutual fund	22,394
	American Funds American Balanced Fund	Mutual fund	49,181
*	State Street Global Advisors Indexed Equity Fund	Common/collective trust	80,636
	American Funds Investment Company of America Fund	Mutual fund	72,266
	Vanguard Windsor Fund Admiral Shares	Mutual fund	224,619
	American Funds Growth Fund of America Fund	Mutual fund	167,366
	American Funds New Perspectives Fund	Mutual fund	98,681
	Goldman Sachs Small Cap Value Institutional Fund	Mutual fund	25,492
	American Funds EuroPacific Growth Fund	Mutual fund	118,216
	Managers Special Equity Institutional Fund	Mutual fund	25,058
	Wells Fargo Advantage Total Return Bond Fund	Mutual fund	40,774
*	Participant Loans	Interest at 6% to 10.5%	14,084
			$ 1,526,143

* Party-in-interest

** Included in the Stable Value Fund investment option

Historical cost information column (d) is not presented since the investments displayed are participant directed.